BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF GREGORY R. FOLLENSBEE

ON BEHALF OF

AT&T COMMUNICATIONS OF THE

SOUTHERN STATES, INC.

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Q. PLEASE STATE YOUR NAME, ADDRESS AND EMPLOYMENT.

A. My name is Gregory R. Follensbee, and I am employed by AT&T Corp. ("AT&T") as a Director in its Law & Government Affairs organization, providing support for AT&T's regulatory and legislative advocacy in the nine states that make up AT&T's Southern Region. My office is at 1200 Peachtree Street, Suite 8100, Atlanta, Georgia 30309.

Q. PLEASE DESCRIBE YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE AS THEY RELATE TO ISSUES IN THIS PROCEEDING.

A. I graduated from Florida State University in 1972 with a Bachelors of Science degree in accounting. I began work in August of that year as a field auditor with the Florida Public Service Commission. In 1976, I was promoted to Manager over the accounting group devoted to regulating electric and gas public utilities. In 1978, I was promoted to Manager over the accounting for all public utilities regulated in Florida. In 1979, I was promoted to Director of the Accounting Department, which expanded my responsibilities to include all accounting matters for all public utilities

regulated in Florida, which included auditing, cost of capital, and taxes. In 1980, the department was expanded to include Management Audits as well. In October 1983, I left the Florida Commission and began work with AT&T. I was a District Manager in its State Governmental Affairs staff organization, supporting AT&T's advocacy of regulatory issues for its Southern Region. In 1990, I became the Assistant Vice President for State Government Affairs for the State of South Carolina. In 1995, I returned to Atlanta and was promoted to Division Manager, responsible for AT&T's regulatory and legislative advocacy in the nine states in AT&T's Southern Region.

Q. HAVE YOU TESTIFIED IN OTHER REGULATORY PROCEEDINGS IN THE PAST?

A. Yes. I have testified in Florida, Georgia, North Carolina and South Carolina.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of AT&T Communications of the Southern States, Inc. ("AT&T") on the following issues:

- why calls to Internet Service Providers should be treated as local traffic for purposes of reciprocal compensation (ISP traffic/Issue 1);

- why should Bellsouth bear the total cost of originating local and intraLATA calls from its own customers to AT&T customers (Network Interconnection/Issue 7);
- why AT&T should be able to charge tandem switching and common transport reciprocal compensation charges to BellSouth for calls from BellSouth customers to AT&T customers (Tandem Switch Rate/Issue 12); and
- why BellSouth should not charge AT&T cancellation charges when AT&T requests that BellSouth convert tariffed services to network elements (Conversion to UNEs/Issue 6).

Q. WERE YOU PART OF THE TEAM FROM AT&T NEGOTIATING WITH BELLSOUTH ON THE INTERCONNECTION AGREEMENT THAT IS THE SUBJECT OF THIS PETITION?

A. Yes.

Q. WHO ELSE WAS PART OF THE AT&T TEAM?

A. The AT&T negotiating team consisted of two commercial attorneys, a lead negotiator, and two support personnel. From time to time, both AT&T and BellSouth would include subject matter experts in the negotiations to help reach resolution on a particular issue.

Q. WHAT WERE YOUR RESPONSIBILITIES DURING THE NEGOTIATIONS?

A. Because I was involved in the negotiations of the existing interconnection agreement arbitrated by this Commission in 1996, I provided information on what was discussed and agreed to or arbitrated previously in 1996. In addition, I provided input on state and Federal Communications Commission (FCC) regulatory issues that impacted the negotiations.

Q. WHO DID YOU NEGOTIATE WITH AT BELLSOUTH?

A. BellSouth's team consisted of two commercial attorneys, a lead negotiator, one support person and one person from its regulatory group.

Q. WAS AT&T ABLE TO REACH AN AGREEMENT WITH BELLSOUTH ON ALL ISSUES?

A. No. While many issues were resolved through negotiations, as can be seen from the agreement attached to AT&T's petition, several issues are still unresolved, and must be arbitrated by this Commission. The issues currently before this Commission for arbitration are ones where the parties "disagree" on the resolution.

ISSUE 1: SHOULD CALLS TO INTERNET SERVICE PROVIDERS BE TREATED AS LOCAL TRAFFIC FOR PURPOSES OF RECIPROCAL COMPENSATION?

Q. BRIEFLY DESCRIBE THE ISSUE REGARDING CALLS TO INTERNET SERVICE PROVIDERS.

A. Due to the tremendous growth in this country in the use of dial-up calling to the Internet, customers of one local telecommunications service provider call (dial up) a customer (an Internet Service Provider ("ISP")) of another local telecommunications service provider in order to use their computers. When BellSouth serves the originating customers, BellSouth does not want to have these ISP-bound calls treated as local for purposes of paying AT&T reciprocal compensation. These calls are made by BellSouth customers who dial a local seven or ten-digit number to reach the ISP who AT&T provides local service. AT&T believes, based upon the traditional "caller pays" practice, that BellSouth is obligated to pay AT&T for completing these calls, just as it is obligated to pay AT&T for completing all other local calls.

My testimony addresses generally the issue of "reciprocal compensation" arrangements between interconnecting local exchange carriers, and more specifically the basis for establishment of the reciprocal compensation payment by an incumbent local exchange carrier ("ILEC") for calls originated by an ILEC's end-user customers that are handed-off to a competitive local exchange carrier ("CLEC") for termination. It explains

why such payments are appropriate, and discusses the economic basis for their determination.

Q. WHAT IS THE TRADITIONAL PRACTICE IN SOUTH CAROLINA AND ACROSS THE U.S. GENERALLY FOR COMPENSATING LOCAL EXCHANGE CARRIERS (LECS) FOR THEIR CARRIAGE OF LOCAL TELEPHONE CALLS?

A. The almost universal practice in South Carolina as well as generally throughout the nation is for local calls to be provided on a "caller pays" basis by the local exchange carrier on whose network the call originates. By "caller pays" I mean that the customer who originates the call pays his or her local carrier to get the local call from the point of origin all the way to its intended destination on the public switched telephone network (PSTN). This means that the originating carrier is compensated by its customer for local switching at both the originating and terminating ends of the call as well as for transporting the call the entire distance between the originating LEC switch and the terminating LEC switch. Most importantly in the context of this proceeding, the "caller pays" approach means that the calling party pays in full for the termination of the call, as well as for its origination, even if a carrier other than the originating (and billing) carrier ultimately terminates the call.

Q. WHAT IS AT&T'S POSITION ON THE PAYMENT OF RECIPROCAL COMPENSATION FOR CALLS ORIGINATED BY A BELLSOUTH CUSTOMER?

A. In general, the law is that that for all forms of traffic, whether ISP-bound or otherwise, the party or company responsible for originating a call should bear the responsibility for costs associated with that call. Therefore, when an individual makes a local call, the individual and his/her telecommunications carrier are responsible for the costs associated with that call. Along the same lines, when an individual "calls" the Internet, the individual and his/her telecommunications carrier are responsible for the costs associated with that call. For example, if a BellSouth customer calls BellSouth.net, that customer and BellSouth are responsible for the costs associated with that call. Neither the receiver, in this case BellSouth.net, nor the receiving telecommunications carrier should bear this responsibility.

Q. WHEN A BELLSOUTH CUSTOMER CALLS AN ISP CUSTOMER OF AT&T DOES THE RESPONSIBILITY FOR COSTS CHANGE?

A. No. The responsibility for costs is the same as from what I described in my preceding answer (*i.e.*, the originating caller and his or her telecommunications carrier bear responsibility for the costs associated with the call). The financial responsibility for terminating calls does not and should not vary depending on the nature of the customer called. The financial responsibility for terminating calls should be the same whether the

customer called is a residential customer, a bank, a hotel, a local movieline, or and ISP. Assuming a call to the Internet is initiated over standard phone lines, multiple carriers may handle the initial part of the call and its ultimate delivery to the ISP. Each of these carriers then plays a role in delivering the call to its final destination and is thereby entitled to compensation.

When a BellSouth customer calls an AT&T ISP customer, AT&T believes that such traffic should be compensated via reciprocal compensation like all other local traffic, because the call traverses the AT&T network and is delivered to the AT&T network via the use of a locally-dialed number. Within its own network, BellSouth would both originate and terminate this call on a local basis.

Q. WHAT IS THE FCC'S POSITION ON PAYMENT OF RECIPROCAL COMPENSATION FOR CALLS TO THE INTERNET?

A. The FCC stated in its Declaratory Ruling in CC Docket No. 96-98 and Notice of Proposed Rulemaking in CC Docket No. 99-68,[1] that the States are authorized to order reciprocal compensation for this traffic even though it is jurisdictionally mixed. Moreover, throughout its *ISP Declaratory Ruling*, the FCC referenced the fact that it has previously treated ISP-bound traffic as though it were local traffic.[2]

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[1] Declaratory Ruling in CC Docket No. 96-98 and Notice of Proposed Rulemaking in CC Docket No. 99-68, In Re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Inter-Carrier Compensation for ISP-Bound Traffic, CC Docket Nos. 96-98 and 99-68, FCC 99-68, at ¶ 25 (February 26, 1999) (hereinafter ISP Declaratory Ruling).

[2] *Id.* at ¶¶5, 9, 20, 23.

Q. IS THE FCC POSITION THAT THIS TRAFFIC IS JURISDICATIONALY INTERSTATE STILL VALID?

A. No. On March 24 of this year, the United States Court of Appeals for the D.C. Circuit vacated the ruling of the FCC and remanded the case back to the FCC. The Court left intact the right of the state commissions to determine how the traffic should be classified.[3]

The D.C. Circuit determined that the FCC did not provide an adequate explanation why an "end to end" analysis of ISP-bound calls was appropriate for classifying such calls as non-local for purposes of reciprocal compensation. The Court noted that the "end to end" analysis has typically been used by the FCC to determine if a communication is jurisdictionally interstate rather than local. In addition, the Court stated that, when this "end to end" method is applied to ISP-bound calls, the result is not straightforward because ISP calls, which use a packet switched network, could be routed to multiple websites with multiple destination points. The Court found that the "end to end" analysis for ISP bound calls is not appropriate because such calls are not a single continuous transmission.[4]

In addition, the Court determined that the FCC has not provided an adequate explanation why ISP bound traffic should not be classified as "telephone

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[3] Bell Atlantic Telephone Companies v. Federal Communications Commission and United States of America, et. al., U.S. Court of Appeals, District of Columbia; Case No. 99-1094 (decided March 24, 2000).

[4] Id at 5.

exchange service" which is subject to the provisions of reciprocal compensation for local traffic rather than "exchange access" or "access service".

Pursuant to the analysis of the D.C. Circuit, ISP-bound calls should be treated as local calls subject to reciprocal compensation. Thus, regardless of whether the call is to an ISP customer or any other customer of AT&T, BellSouth should compensate AT&T via reciprocal compensation for the use of AT&T's network for these local calls.

ISSUE 7: HOW SHOULD AT&T AND BELLSOUTH INTERCONNECT THEIR NETWORKS IN ORDER TO ORIGINATE AND COMPLETE CALLS TO END-USERS?

Q. BRIEFLY DESCRIBE THE ISSUE REGARDING NETWORK ARCHITECTURE.

A. This issue concerns a dispute about whether BellSouth should be responsible for the costs of originating, transporting, and terminating local calls from its own customers to AT&T customers in South Carolina. BellSouth has inaccurately portrayed this as a question of whether its subscribers should pay for the design of the AT&T network in South Carolina. I want to dispel that myth at the outset: the AT&T proposal will not in any way impose any additional financial burden on any BellSouth customers in South Carolina. Indeed, the real question is whether AT&T should be forced to design its network less efficiently and whether its customers bear the costs of doing so

simply because BellSouth refuses to transport its own originating traffic as it is required to do, as it has historically done, and as it continues to do for calls to its own customers. The focus of this issue should be on the harm to competition and consumers caused by the BellSouth proposal and on the illegality of the BellSouth proposal under the Telecommunications Act of 1996 (the "Act") and FCC regulations.

Q. WHAT HAS GIVEN RISE TO THIS ISSUE?

A. In order to interconnect the BellSouth and AT&T networks, the two parties must deploy Interconnection Facilities between the switches serving AT&T's customers and the end office switches serving BellSouth customers and the subtending BellSouth tandem switches.[5] The parties must then establish trunking between these switches for the efficient routing of interconnection traffic.

[5] Interconnection Facilities are the physical transmission channels that transport traffic between the AT&T and BellSouth switches that are used for local and intraLATA toll traffic. Facilities should be differentiated from trunks or trunk groups, which are the logical connections between two switches permitting traffic to be routed in an efficient manner. Trunks are established over working facilities.

As I explain in greater detail below, to effectively compete for local exchange customers in South Carolina, AT&T has designed and deployed a network architecture that is substantially different than the embedded BellSouth network. This means that some calls from BellSouth customers to AT&T customers must be transported beyond the BellSouth local calling areas to be delivered to the AT&T switch serving the terminating AT&T customers. Despite unequivocal legal obligations requiring each party to bear the cost to transport and terminate its own traffic, BellSouth objects to bearing any costs for Interconnection Facilities beyond the BellSouth local calling areas. This is true even though both parties have agreed that calls within each LATA will be considered local for purposes of reciprocal compensation. This means that BellSouth is proposing that AT&T bear the cost of transporting BellSouth's own traffic from BellSouth's calling areas to AT&T's switch for completion of such calls to AT&T's customers.

Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

A. BellSouth's position is that it is not responsible for all of the costs of originating, transporting, and terminating its own traffic for calls from its customers to AT&T customers. Rather, BellSouth asserts that it should have the unilateral and arbitrary right to designate a point within each of its South Carolina local calling areas where its responsibilities will end. Instead of transporting its own calls to their terminating (switch) destinations, BellSouth will only deliver its local and intraLATA traffic to the points designated by

BellSouth and will require AT&T to bear the cost of transporting and terminating BellSouth's traffic beyond those points. Meanwhile, BellSouth wants AT&T to be financially responsible for delivering AT&T's originating traffic to each and every BellSouth end office, and BellSouth also wants AT&T to be financially responsible for picking up BellSouth's originating traffic in each and every BellSouth local calling area. Thus, according to BellSouth, AT&T is financially responsible for delivering its own originating calls (calls from its customers to BellSouth customers) into every BellSouth end office, but BellSouth is not financially responsible for delivering its originating beyond the boundaries of its local calling areas to the location of the AT&T switch.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. AT&T's position is that the responsibility for originating, transporting, and terminating traffic should be mutual and that each party should be financially responsible for transporting its own originating traffic to a comparable point on the terminating party's network (i.e. the other party's switch serving the terminating customer). AT&T, and all CLECs, should be permitted to choose the most efficient interconnection point, as the law allows. CLECs should not have to design their networks less efficiently, and their customers should not shoulder the burden of higher costs simply because BellSouth refuses to transport its own originating traffic as it is required to.

Q. WHAT SHOULD THE COMMISSION DO?

A. The Commission should adopt AT&T's network interconnection proposal. This proposal imposes on both parties the same relative obligations to transport and terminate traffic (i.e., equivalent interconnection). The Commission should thus continue to incorporate the longstanding policy that the originating party pays for the cost of its own traffic. Unlike BellSouth's proposal, which places unequal obligations on the parties, substantially advantaging BellSouth, AT&T's proposal establishes equivalent interconnection, giving no party any advantage over the other.

Q. YOU MENTIONED THAT BELLSOUTH'S AND AT&T'S NETWORK ARCHITECTURES ARE SUBSTANTIALLY DIFFERENT. WHAT DO YOU MEAN BY THIS STATEMENT?

A. AT&T's and BellSouth's networks are similar in the sense that the two networks cover comparable geographic areas. This matter is discussed in greater detail later in my testimony under Issue 12. Beyond this one similarity, however, the two networks are substantially different with respect to their architecture.

BellSouth's network is a multi-layer or tiered network. BellSouth has many end office switches spread out over its service area and installed in the neighborhoods populated by its customers. These end office switches are interconnected by an overlying network of tandems. When certain volume levels are achieved and it is cost effective, BellSouth uses high-capacity

trunks that directly link certain end office switches (bypassing the tandems). BellSouth's network architecture is depicted in Exhibit GRF-1 to my testimony. This hierarchical or layered network was deployed when there were limited transport options on the end-user side of the switch, resulting in many switches deployed in the neighborhood (thus, keeping loop lengths relatively short), as was dictated by the technology of the times. As I understand it, BellSouth finds the use of its tandem switches to be the least costly method of interconnecting many end offices until certain traffic thresholds are achieved between two end offices, and only then is it more efficient for BellSouth to directly connect the two end offices. This arrangement recognizes that BellSouth's tandem facilities (both switch and common shared transport) are less expensive to utilize for occasional use than the capacity commitment associated with dedicated transport, until enough traffic is develops to fill the dedicated transport.

Q. WHAT ABOUT AT&T'S NETWORK?

A. AT&T, in contrast to BellSouth, began its local telephony deployment only recently. Therefore, AT&T's switches[6] are deployed consistent with the costs and efficiencies of today's technology. Currently, AT&T has a menu of options that are capable of economically connecting end users located relatively far from a switch. These options include: (1) high capacity fiber

optic rings to commercial buildings and multiple dwelling units; (2) fixed wireless technology now being beta tested (although this technology would likely come under a different (CMRS) interconnection agreement), (3) UNE loop resale through AT&T collocation in BellSouth end offices, and (4) dedicated high-capacity facilities (in some cases using special access services purchased from BellSouth but more appropriately through combinations of UNEs). Due to the very high initial cost of switching platforms as compared to the lower incremental cost of high-capacity facilities, AT&T has chosen to deploy fewer switches and more transport on the end-user side of the switch. (Even where AT&T has determined the need for multiple switches within a LATA, they are often collocated within the same building.) The distinction between the two networks is that while BellSouth deploys tandems first and then grows into high use dedicated trunking between offices, AT&T deploys a single switch combined with long transport on the end-user side of the switch, because that combination is incrementally less costly than adding a new switch in each part of a market. AT&T's network architecture is depicted in Exhibit GRF-2 to my testimony.

Consistent with AT&T's architecture, there are certain LATAs in which AT&T has not physically deployed a switch within the LATA. Moreover, AT&T has agreed that in such cases, AT&T will establish at least one

[6] Although AT&T switches normally provide both an end office and tandem function and are really multi-function switches, I will refer to them in this testimony simply as "switches." In AT&T's proposed Interconnection Agreement, they are referred to as "switch centers."

physical Point of Interconnection (POI)[7] within the LATA, and AT&T will provide all of the facilities (for both originating and terminating traffic) between its switch and such POI. Where AT&T has chosen not to deploy a switch within a LATA, the POI will be treated as if it were an AT&T switch (i.e., AT&T has virtually extended its switching functionality into the LATA to the POI). The AT&T architecture, therefore, provides a switch (or switching presence) in every BellSouth LATA. Further, although AT&T believes it has the legal right to establish a POI at the most efficient, technically feasible point, AT&T is willing, under its proposal, to establish at least two physical POIs within each LATA where BellSouth provides service today unless there is a de minimus volume of traffic across the LATA.

Q. WHY DIDN'T AT&T DEPLOY A NETWORK ARCHITECTURE THAT IS SIMILAR TO BELLSOUTH'S?

A. Considering the number of customers AT&T serves, the volume of AT&T's traffic these customers generate, and the geographic dispersion of these customers, the BellSouth network architecture would be highly inefficient for AT&T. Yet, that is exactly what BellSouth proposes: that AT&T be required

[7] As used in this testimony POI means the physical point at which the two networks are interconnected for the mutual exchange of traffic.

to replicate the BellSouth network architecture for network interconnection, or at least be required to incur the cost that would be associated with replicating the BellSouth architecture.

Q. WHY WOULD BELLSOUTH'S PROPOSAL REQUIRE AT&T TO REPLICATE BELLSOUTH'S NETWORK?

A. BellSouth has a sufficient volume of traffic within and between each of its local calling areas to cost justify trunking to those areas and has designed its network accordingly. AT&T may or may not have a sufficient volume of traffic between each BellSouth local calling area to cost justify trunking to those areas. As AT&T enters a new market, it starts with few or no customers. In such circumstances, AT&T certainly would not have a sufficient volume of traffic to cost justify end office trunking to such local calling areas or justify the capital needed to build out AT&T's network. In these areas, the most efficient method for AT&T to interconnect to the BellSouth network for AT&T's traffic would be through a BellSouth tandem switch, where AT&T may establish a POI. It would be highly inefficient for AT&T to establish trunk groups by leasing them from BellSouth or build network by constructing and installing our own facilities where the volume of AT&T traffic does not justify such. AT&T should be permitted to determine the most cost efficient method of interconnection for itself, regardless of the volumes of traffic that BellSouth may have with or between certain local calling areas.

Q. WHAT WOULD BE THE CONSEQUENCES OF REQUIRING AT&T TO INTERCONNECT WITHIN EACH LOCAL CALLING AREA?

A. Such a requirement would have two adverse affects on South Carolina consumers. First, they would lose the benefits of the efficient network architectures deployed by AT&T and other CLECs, producing higher network costs. Second, it would shift to CLEC consumers the transport costs that BellSouth is required to lawfully bear under the Act. The interconnection arrangement proposed by BellSouth would be extremely unfair to CLEC consumers, substantially more favorable to BellSouth and would suppress investment in competitive facilities. The higher costs that CLEC consumers would be forced to bear under BellSouth's proposal would make those South Carolina markets that would have been marginally profitable under AT&T's interconnection proposal, uneconomic to serve. Simply put, BellSouth's interconnection proposal is harmful to competition in South Carolina. AT&T has proposed, and my testimony explains, that the interconnection arrangement adopted by the Commission should be neutral to either party's network architecture (i.e., each party should have the same relative obligations when it is in the role of originating carrier) and require each party to bear the costs to transport and terminate its own traffic.

Q. DO YOU HAVE DIAGRAMS THAT DEPICT THE COSTS ASSOCIATED WITH ORIGINATING, TRANSPORTING AND

TERMINATING TRAFFIC AS YOU DESCRIBE IN YOUR TESTIMONY?

A. Yes. Exhibit GRF-3 to my testimony depicts the costs that an ILEC incurred to complete a call prior to the Act. Exhibit GRF-4 to my testimony depicts the costs that an originating carrier is expected to incur to compete a call between competing LECs under the Act. Exhibit GRF-4 also depicts AT&T's proposed interconnection arrangement. Please note that in GRF-4 the costs are allocated between the parties in the exact same manner when each party is in the position of originating carrier and again as the terminating carrier.

Exhibit GRF-5 depicts BellSouth's interconnection proposal. If you compare how the transport costs are allocated to each party in this diagram, it is clear that the BellSouth interconnection proposal is not reciprocal and that it is BellSouth that has shifted a large potion of its interconnection costs to AT&T. Exhibit GRF-5 shows that AT&T would bear all of the costs to deliver its traffic to the BellSouth network when AT&T is the originating carrier and that AT&T again would bear all of the costs to carry BellSouth 's traffic back to the AT&T network when BellSouth is the originating carrier.

Q. WHY IS BELLSOUTH'S PROPOSED INTERCONNECTION ARRANGEMENT UNFAIR TO AT&T AND ITS CUSTOMERS?

A. Under BellSouth's proposed interconnection arrangement, AT&T and BellSouth would have substantially inequitable obligations to provide

interconnection facilities. AT&T would be financially responsible for the delivery of its traffic to each BellSouth end office, and BellSouth would deliver its traffic to AT&T no further than its own local calling areas. This situation is unfair to AT&T and its customers, because the parties do not have reciprocal interconnection obligations, even though the BellSouth and AT&T networks cover geographically comparable areas and have symmetrical compensation rates.

Q. WHY SHOULD THE COMMISSION REQUIRE AT&T AND BELLSOUTH TO INTERCONNECT ON AN EQUIVALENT BASIS?

A. First of all, as I discuss below, the law requires it. Moreover, as I have previously stated, AT&T's network covers a comparable geographic area to BellSouth's network. This is supported by the evidence provided under Issue 12. If a CLEC has only a small network and only offers services over a small geographic area or only to an exclusive group of customers, then that CLEC's network would not be comparable to BellSouth's network. But AT&T has made substantial network investments in South Carolina and AT&T offers its local exchange services without regard to location. Therefore, the Commission should require that the BellSouth and AT&T networks be interconnected on an equivalent basis.

BellSouth's interconnection proposal completely disregards the geographic comparability of the two networks. Ignoring the legitimacy of AT&T's network architecture, BellSouth proposes that the two networks be

interconnected solely on the basis of *BellSouth's* network architecture. In other words, BellSouth is asking the Commission to ascribe an arbitrary primary status upon BellSouth's network. BellSouth may believe that its network is entitled to this arbitrary status because it pre-existed local telephone competition or is based on a traditional hierarchical network architecture, but the Commission should not be led into making such a decision.

Q. SHOULD THE BELLSOUTH LOCAL CALLING AREA BE THE BASIS FOR INTERCONNECTING THE TWO PARTIES NETWORKS?

A. No. BellSouth's local calling areas should not be the basis of network interconnection. First, there is no logical reason to use local calling areas. BellSouth's original local calling areas were established for the purpose of setting rates solely for BellSouth's customers. They bear no relationship to the capacity of switches and other facilities deployed by CLECs or BellSouth. Moreover, there is no such thing anymore as "a" local calling area. For some time BellSouth has offered EAS plans and now even offers LATA-wide local calling areas. These various calling plan options dispel any suggestion that there is any real significance to the geographic scope of any given local calling area. Moreover, BellSouth's local calling areas may be subject to substantial changes as BellSouth and its competitors seek competitive advantages for their respective local service offerings. More

fundamentally, interconnection based solely on BellSouth's local calling areas does not foster competition and does not benefit consumers. To interconnect based on BellSouth's local calling areas would completely disregard the legitimacy of a competitor's local calling areas, would discourage competitors from expanding local calling areas for the benefit of customers and competition, and certainly would not be reciprocal. Moreover, using BellSouth's local calling areas as the basis of network interconnection substantially compromises the network efficiencies of the alternative network architectures deployed by AT&T, forcing AT&T into an inefficient BellSouth-look-a-like interconnection arrangement, and forcing CLEC customers to bear the burden of those inefficiencies.

Q. IS AT&T IMPROPERLY ATTEMPTING TO SHIFT FACILITY COSTS FROM AT&T TO BELLSOUTH FOR AT&T'S CUSTOMERS' TRAFFIC THAT TERMINATES ON BELLSOUTH'S NETWORK?

A. No. AT&T believes that it is responsible for the costs to originate, transport and terminate its traffic. Accordingly, AT&T proposes that it should provide (either lease or build) all of the facilities for its originating traffic between the AT&T switch and the POI selected by AT&T and that AT&T should compensate BellSouth for any transport and switching functions provided by BellSouth for the completion of AT&T's traffic in the form of reciprocal compensation. Regardless of any claims by BellSouth to the contrary, AT&T agrees to bear the full financial costs of its traffic.

Contrary to AT&T's fair, reciprocal and lawful position, BellSouth is trying to shift its interconnection facility costs to AT&T. BellSouth retains the vast majority of end users and the revenue these customers produce, yet BellSouth seeks to avoid compensating AT&T for AT&T's costs in terminating traffic from BellSouth's end-users. This provides BellSouth with an unlawful competitive advantage. Accordingly, the Commission should reject the BellSouth proposal and adopt the AT&T proposal.

Q. BUT DOESN'T THE BELLSOUTH PROPOSAL REFLECT THE ADDITIONAL COSTS THAT BELLSOUTH MUST INCUR TO PROVIDE FACILITIES FROM ITS LOCAL CALLING AREA TO THE AT&T SWITCH?

A. No. The BellSouth proposal is nothing more than an anti-competitive proposal to unilaterally designate interconnection points for BellSouth-originated traffic. If BellSouth designates interconnection points at end offices some distance from the AT&T point of presence, the inter-carrier compensation will not be symmetrical. Indeed, BellSouth's proposal confirms the FCC's conclusion that:

> Because an incumbent LEC currently serves virtually all subscribers in its local serving area, an incumbent LEC has little economic incentive to assist new entrants in their efforts to secure a greater share of that market. An incumbent LEC also has the ability to act on its incentive to discourage entry and robust competition by not interconnecting its network with the new entrant's network or by insisting on supracompetitive prices or other unreasonable

conditions for terminating calls from the entrant's customers to the incumbent LEC's subscribers.[8]

Q. HOW DOES THE ACT APPLY TO THIS ISSUE?

A. Prior to the passage of the Act, unless a call was directed to the operating territory of another local carrier, the originating carrier was responsible for the costs of originating, transporting and terminating each call, simply because the call never left the originating carrier's territory or network. Consistent with the originating carrier's overall financial responsibility, the originating carrier collected and retained the applicable revenue.

With the passage of the Act, the originating carrier continues to collect and keep the local exchange revenue, and where a CLEC is used to terminate the call (because the terminating customer belongs to a competing LEC), the Act establishes reciprocal compensation to compensate the terminating carrier for its costs. However, in so doing, the Act did not alter the long-standing economic model under which the originating carrier collects the local exchange revenue and is responsible for the costs of originating, transporting and terminating its traffic. Section 252(d)(2)(A) of the Act states:

> [A] a state commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless... such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities on the other carrier.

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[8] First Report and Order, *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 11 FCC Red. 1J499 (1996) at ¶ 10 (footnote omitted), hereinafter "FCC Local Competition Order".

If the parties have unequal interconnection obligations, as proposed by BellSouth, then the parties should have non-symmetrical reciprocal compensation rates, so that each party would recover its respective costs to transport and terminate the other party's traffic. To meet the "just and reasonable" test under Section 252(d)(2)(A), the parties must have comparable obligations to deliver traffic to the other party's network. If it is found that one party to the Agreement is not compensated for "costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities on the other carrier", then the resulting Agreement would be neither "just" nor "reasonable".

Q. IF AT&T CHOOSES TO PLACE ONE SWITCH PER LATA, SHOULDN'T BELLSOUTH BE ALLOWED TO PLACE ITS INTERCONNECTION POINT AT ITS DESIRED LOCATION?

A. No. The Act and FCC orders clearly allow CLECs to interconnect at any technically feasible point. The single switch presence per LATA allows new entrants to grow their business economically without having to duplicate BellSouth's existing network. If Congress had wanted BellSouth to have the ability to designate interconnection points and CLECs to bear the same duty in establishing interconnection points that BellSouthhas, it would have specifically stated that outcome, rather than separating out the

interconnection obligations to apply only to incumbent LECs under Section 251(c)(2).

Q. HAS THE FCC PROVIDED ANY GUIDANCE ON THIS ISSUE?

A. Yes. This issue has two sub-parts. First, should BellSouth have the right to designate the point on BellSouth's network within its own local calling area where it will deliver its local and intraLATA traffic to AT&T? Second, how should the costs of Interconnection Facilities be allocated between the parties? The FCC has spoken on both of these issues.

Q. DO EXISTING FCC RULES ALLOW BELLSOUTH TO DISIGNATE THE POINT ON ITS NETWORK WHERE AT&T MUST ACCEPT BELLSOUTH'S TRAFFIC?

A. No. FCC regulations do not allow BellSouth or any ILEC the right to designate the point at which the other party must "pick up" the ILEC's traffic. To the contrary, Rule 51.305(a)(2) obligates BellSouth to allow interconnection by a CLEC at any technically feasible point. In its Local Competition Order, the FCC explained:

> The interconnection obligation of section 251(c)(2), discussed in this section, allows competing carriers to choose the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carriers' costs of, among other things, transport and termination of traffic.[9]

The FCC identified the Act as the source of these differing obligations:

> Section 251(c)(2) does not impose on non-incumbent LECs the duty to provide interconnection. The obligations of LECs that are not incumbent LECs are generally governed by sections 251(a) and (b), not section 251(c). Also, the statute itself imposes different obligations on incumbent LECs and other LECs (i.e., section 251(b) imposes obligations on all LECs while section 251(c) obligations are imposed only on incumbent LECs).[10]

Q. DOES THE FACT THAT THERE IS NO PROHIBITION AGAINST ILECS DETERMINING TECHNICALLY FEASIBLE INTERCONNECTION POINTS GIVE THEM THE RIGHT TO DO SO?

A. No. As noted above, the interconnection obligations of LECs and ILECs are specifically identified in the Act. BellSouth may not assume some authority that is not provided for in the Act. BellSouth has claimed in other proceedings that its should be permitted to designate the point where AT&T must pick up BellSouth's traffic so that BellSouth may avoid the transport costs at issue. However, the FCC's statement is clear. The CLEC has the right to designate the point at which traffic is exchanged, "thereby lowering the competing carriers' costs." The FCC reiterated its reasoning in connection with an interconnection dispute in Oregon, where the FCC

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[9] FCC Local Competition Order at ¶ 172 (emphasis added).
[10] Id. at ¶ 220.

intervened and urged the court to reject US West's argument that the Act requires competing carriers to interconnect in the same local exchange in which it provides local service. The FCC explained:

> Nothing in the 1996 Act or binding FCC regulations require a new entrant to interconnect at multiple locations within a single LATA. Indeed, such a requirement could be so costly to new entrants that it would thwart the Act's fundamental goal a opening of opening local markets to competition.[11]

More recently, in its order on SBC's 271 application for Texas, the FCC made clear its view that under the Telecommunication Act, CLECs have the legal right to designate the most efficient point at which to exchange traffic. As the FCC explained:

> New entrants may select the most efficient points at which to exchange traffic with incumbent LECs, thereby lowering the competing carriers' cost of, among other things, transport and termination.[12]

The FCC was very specific:

> Section 251, and our implementing rules, require an incumbent LEC to allow a competitive LEC to interconnect at any technically feasible point. This means that a competitive LEC has the option to interconnect at only one technically feasible point in each LATA.

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[11] Memorandum of the FCC as Armucus Curiae at 20-21, *US West Communications Inc. v. AT&T Communications of the Pacific Northwest, Inc.*, (D. Or. 1998) (No. CV 97-1575- JE) (emphasis added).

[12] Memorandum Report and Order, *Application of SBC Communications Inc., Southwestern Bell Telephone Company and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance, Pursuant to Section 271 of the Telecommunications Act of 1996 To Provide In-Region InterLATA Services in Texas*, CC Doeket No. 00-65 at ¶ 78 (June 30, 2000).

Q. WHAT HAS THE FCC PROVIDED ON HOW COSTS OF INTERCONNECTION FACILITIES SHOULD BE ALLOCATED BETWEEN THE PARTIES?

A. 47 C.F.R. § 51.703(b) very clearly provides: "A LEC may not assess charges on any other telecommunications carrier for local telecommunications traffic that originates on the LEC's network."

Further, 47 C.F.R. § 51.709(b) reads:

> The rate of a carrier providing transmission facilities dedicated to the transmission of traffic between two carriers' networks shall recover only the costs of the proportion of that trunk capacity used by an interconnecting carrier to send traffic that will terminate on the providing carrier's network.

In its Local Competition Order, the FCC explained:

> The amount an interconnecting carrier pays for dedicated transport is to be proportional to its relative use of the dedicated facility. For example, if the providing carrier provides one-way trunks that the inter-connecting carrier uses exclusively for sending terminating traffic to the providing carrier, then the inter-connecting carrier is to pay the providing carrier a rate that recovers the full forward-looking economic cost of those trunks. The inter-connecting carrier, however, should not be required to pay the providing carrier for one-way trunks in the opposite direction, which the providing carrier owns and uses to send its own traffic to the inter-connecting carrier.[13]

A simple hypothetical example should make the application of this rule clear. If there were a sufficient volume of traffic between an AT&T switch and a

certain BellSouth end office, AT&T would elect to establish one-way trunks between the two switches to deliver AT&T's originating traffic. The least costly method for AT&T to obtain the transport needed for such trunks may be to lease the capacity from BellSouth as dedicated transport. BellSouth would also need to establish one-way trunks between the same two switches for its originating traffic. BellSouth almost certainly will establish such trunks on its own facilities. What we end up with is a single BellSouth facility system between the AT&T and BellSouth switches that is used to carry both AT&T's one-way trunks and BellSouth's one-way trunks. What the FCC is saying in C.F.R. 51.709(b) is that BellSouth may only recover the cost of the proportion of that trunk capacity used by AT&T between the two switches to send traffic that will terminate on BellSouth's network. AT&T agrees that it would pay for the transport for its one-way trunks. However, contrary to 47 C.F.R. 51.709(b), what BellSouth proposes is to recover the costs of *both* AT&T's portion *and* the costs of the proportion of that trunk capacity used by BellSouth to send traffic that will terminate on AT&T's network. This would be especially onerous to AT&T when the volume of traffic originated on BellSouth's network far exceeds the volume of traffic that is originated on AT&T's network.

The situation is identical when AT&T elects to route traffic via a BellSouth tandem switch rather than via direct end office trunks. Again, AT&T agrees to pay BellSouth for the one-way trunk capacity needed to transport AT&T's

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[13] FCC Local Competition Order at ¶ 1062 (emphasis added).

traffic between the AT&T switch and the BellSouth tandem; however, AT&T should not be required to pay BellSouth for one-way trunks in the opposite direction, which BellSouth owns and uses to send its own traffic to AT&T.

Q. HAS THE FCC ISSUED ANY DECISIONS ON THIS ISSUE?

A. Yes. In *In re TSR Wireless, LLC, et. al., v. U.S. West,* file Nos. E-98-13, et. al., FCC 00-194 (June 21, 2000) (appeal pending), several paging carriers alleged that US West and other ILECs had improperly imposed charges for facilities used to deliver LEC-originated traffic. The paging carriers based their complaint on 47 C.F.R. § 51.703(b) and sought an order from the FCC prohibiting the ILECs from charging for dedicated and shared transmission facilities used to deliver LEC-originated traffic. The FCC agreed with the paging carriers. In its Order, after finding (1) that paging carriers provide telecommunications and are thus included within the scope of the rules governing reciprocal compensation (47 C.F.R. § 701(e)) and (2) that paging carriers "switch" and "terminate" traffic within the meaning of those rules, the FCC determined that "any LEC efforts to continue charging CMRS or other carriers for delivery of such [LEC-originated] traffic would be unjust and unreasonable." Accordingly, the FCC concluded that the ILECs "may not impose upon Complainants charges for the facilities used to deliver LEC-originated traffic to Complainants."

Q. WHY SHOULD THE COMMISSION ADOPT AT&T'S SOLUTION?

A. AT&T's network interconnection solution will benefit AT&T, BellSouth and South Carolina consumers in the following ways:

1. AT&T's solution is fair to both parties.

First, both parties would establish equivalent interconnection between the respective networks. Neither party would gain a substantial advantage over the other, as BellSouth proposes. Second, both parties would provide interconnection facilities in proportion to the interconnection traffic that it delivers to the other party. Considering the geographic parity of both parties' networks, it would clearly be unfair to AT&T to adopt the practice of disproportional, unequal interconnection.

2. AT&T's solution promotes competition.

AT&T's proposal allows competing callers to use alternative network architecture without any penalty. Additionally AT&T's proposal does not require CLECs to duplicate the network already established by BellSouth. Less costly and more efficient solutions are promoted, not discouraged.

3. AT&T's solution provides flexibility to the parties.

Each party would have a variety of methods that it may employ to deliver its traffic to the other party's terminating switch. Parties can lease facilities from one another, they can lease facilities from third parties, implement a mid-span meet, or they can deliver their traffic using AT&T's facilities. Under AT&T's proposal, even though not obligated to do so, AT&T is even willing to offer BellSouth space, power, and site services in its switching centers, compensated appropriately, so that BellSouth may use its own

facilities to deliver its interconnection traffic to such AT&T locations. In this way, each party may determine for itself the most efficient method of interconnection under the terms of the Agreement.

4. AT&T's solution allows AT&T to use scarce collocation space for interconnection to UNEs.

BellSouth's proposed interconnection arrangement jeopardizes AT&T's local market entry plans, because it allows BellSouth to "hand-off" its traffic at a BellSouth location that may have limited or no additional collocation space. AT&T has found that the smaller AT&T collocation arrangements in certain BellSouth end offices are being prematurely exhausted by the transport of BellSouth's interconnection traffic through such collocation space. AT&T requires collocation space within BellSouth end offices so that AT&T may interconnect to BellSouth's UNEs in order to fulfill its market entry plans. Because of this duel need for collocation space, BellSouth's proposal forces AT&T to choose between essential uses of scare collocation space; where there is an equal priority on using collocation space for network interconnection and UNE combination. The result of BellSouth's proposal is that in many areas AT&T's local market entry may be delayed or thwarted. AT&T's solution provides for a joint transition plan that would require that BellSouth's interconnection traffic to be transitioned from any existing POI in jeopardized AT&T collocation space to a new POI. The Commission should adopt AT&T's network interconnection solution, because, otherwise, consumers served by a BellSouth end office for which AT&T's collocation

space is exhausted would not enjoy the same level of local exchange competition as customers in unaffected areas.

5. AT&T's solution is consistent with law and regulation.

The FCC has made clear that ILECs do not have the right to determine where CLECS must interconnect to pick up ILEC traffic. CLECs can interconnect at any technically feasible point, and can select a point that is most efficient to lower costs. AT&T's proposal clearly meets these requirements.

ISSUE 12: SHOULD AT&T BE PERMITTED TO CHARGE TANDEM RATE ELEMENTS WHEN ITS SWITCH SERVES A GEOGRAPHIC AREA COMPARABLE TO THAT SERVED BY BELLSOUTH'S TANDEM SWITCH?

Q. WHAT DO THE FCC REGULATIONS PROVIDE ABOUT CLEC SWITCHES AND TANDEM RATES?

A. The FCC recognizes that there is parity between a competitive carrier's end office switch and an ILEC tandem switch. The FCC regulations, 47 C.F.R. § 51.711 (a)(3), provide:

> Where the switch of a carrier other than an incumbent LEC serves a geographic area comparable to the area served by the incumbent LEC's tandem switch, the appropriate rate for the carrier other than an incumbent LEC is the incumbent LEC's tandem interconnection rate.

Q. HAS THE FCC PROVIDED ANY ADDITIONAL GUIDANCE REGARDING THE ESTABLISHMENT OF TRANSPORT AND TERMINATION RATES?

A. Yes, it has. In the Local Competition Order, the FCC stated:

> We find that the "additional costs" incurred by a LEC when transporting and terminating a call that originated on a competing carrier's network are likely to vary depending on whether tandem switching is involved. We, therefore, conclude that states may establish transport and termination rates in the arbitration process that vary according to whether the traffic is routed through a tandem switch or directly to the end-office switch. In such event, states shall also consider whether new technologies (*e.g.*, fiber ring or wireless networks) perform functions similar to those performed by an incumbent LEC's tandem switch and thus, whether some or all calls terminating on the new entrant's network should be priced the same as the sum of transport and termination via the incumbent LEC's tandem switch. Where the interconnecting carrier's switch serves a geographic area comparable to that served by the incumbent LEC's tandem switch, the appropriate proxy for the interconnecting carrier's additional costs is the LEC tandem interconnection rate.[14]

Q. DO AT&T'S SWITCHES IN SOUTH CAROLINA COVER A GEOGRAPHIC AREA COMPARABLE TO THE AREA COVERED BY BELLSOUTH SWITCHES?

A. Yes. AT&T offers local exchange service in South Carolina via 4ESS switches, which function primarily as long distance switches, and 5ESS switches, which act as adjuncts to the 4ESS switches. AT&T has the ability to connect virtually any qualifying local exchange customer in South Carolina to one of these switches through AT&T's dedicated access services. AT&T requests that the Commission order BellSouth to pay AT&T BellSouth's tandem interconnection rate for the termination of local traffic at

[14] FCC Local Competition Order at ¶ 1090 (emphasis added).

any AT&T switch. AT&T is justified in its request because the geographic area covered by each switch is comparable to the area covered by BellSouth's tandem switches.

Q. HAVE YOU PREPARED ANY MATERIALS THAT WILL ASSIST THE COMMISSION IN DETERMINING THE GEOGRAPHIC COVERAGE OF AT&T'S SWITCHES SERVING SOUTH CAROLINA?

A. To assist the Commission in understanding this issue, I have prepared two maps that are marked as Exhibit GRF-6a and 6b. Exhibit GRF-6a and 6b contain both color transparency maps and color copies of the same maps. The transparent maps are supplied so that the reader can "overlay" the maps and compare the geographic area served by AT&T switches and BellSouth switches.

Exhibit GRF-6a[15] provides the number of switches AT&T currently operates in South Carolina on a LATA by LATA basis. It is important to note that in some cases, the AT&T switch serving a LATA is not physically located in the LATA.

Exhibit GRF-6b[16] shows the number of tandem switches BellSouth South Carolina currently operates in South Carolina on a LATA by LATA basis. When GRF 6a and 6b are superimposed over each other, it becomes clear that

[15] On the AT&T maps, green shading depicts the areas covered by AT&T's switches.
[16] On the BellSouth maps, various color shading depicts areas covered by BellSouth's tandems.

AT&T's switches cover the same (or a comparable) geographic area as that coveredby BellSouth's tandem switches.[17]

Q. WHAT ABOUT THE FUNCTIONALITY OF THE SWITCHES?

A. The relevant FCC rule does not focus on tandem functionality[18] for purposes of determining whether an ALEC meets the requirements under 47 C.F.R. § 51.711(a)(3). However, each AT&T switch performs certain tandem functions for the respective AT&T entity. First, each of these switches acts as an access tandem routing the preponderance of interLATA traffic directly to the applicable interexchange carrier. Second, with respect to traffic between any AT&T customer and any BellSouth customer within the same LATA, AT&T has direct trunking to each BellSouth tandem in the LATA so that such traffic may be completed without transiting multiple AT&T switches or multiple BellSouth tandems. In other words, AT&T uses its

[17] Statewide and LATA-specific maps were created by using data contained in the Local Exchange Routing Guide (LERG). The LERG, produced by Telcordia Technologies, contains routing data that supports the current local exchange network configuration within the North American Numbering Plan (NANP) as well as identifying reported planned changes in the network. The LERG data in conjunction with MapInfo V-4.1.1.2, a commercial mapping software package, was used to prepare the statewide and LATA-specific maps attached herein.

[18] The primary function of a tandem is the aggregation of traffic between customers calling outside their immediate exchange. As described in the preceding discussion of network architecture, the BellSouth network is comprised of a large number of end offices each serving a relatively small area. Rather than connect every end office to every other end office, BellSouth routes certain traffic to tandem switches which serve groups of end offices. Thus, a call from a BellSouth customer to someone in another rate center often will travel to a tandem switch, which has a connection to the end office switch serving the called customer. Under the BellSouth network architecture, the tandem switches aggregate traffic to be sent to other switches. Under AT&T's network architecture, AT&T's switches also perform a substantial amount of traffic aggregation and, therefore, are performing the primary function of a tandem switch.

switches in the same functional manner that BellSouth uses its tandem switches.

Q. DO AT&T'S SWITCHES PROVIDE TANDEM FUNCTIONALITIES IN THE MANNER DESCRIBED IN THE FCC'S DISCUSSION IN THE LOCAL COMPETITION ORDER?

A. Yes. As the foregoing description of AT&T switch function indicates, AT&T's switches do indeed perform both end office and tandem switch functions. Tandem switches generally aggregate traffic from a number of end office switches for purposes of passing that traffic to other offices for termination elsewhere on the network. The tandem switch is also used for aggregation and processing of operator services traffic, routing traffic that is to be transferred between the trunk groups of two separate carriers, and measuring and recording traffic detail for billing. While BellSouth employs two separate switches to accomplish these tandem and end office functions, as I have shown above, AT&T's switches perform all of these functions within the same switch.

Thus, AT&T not only has met the geographic requirements of 47 C.F.R. §51.711(a)(3), but also meets a higher standard by virtue of its substantial investments in physical plant and deployment of an architecture comprised of network components comparable to BellSouth.

The Commission should, therefore, conclude that AT&T should receive the tandem interconnection rate as BellSouth's reciprocal compensation for the termination of its local calls by AT&T.

ISSUE 6: UNDER WHAT RATES, TERMS, AND CONDITIONS MAY AT&T PURCHASE NETWORK ELEMENTS OR COMBINATIONS TO REPLACE SERVICES CURRENTLY PURCHASED FROM BELLSOUTH TARIFFS?

Q. EXPLAIN THE ISSUE PERTAINING TO THE APPROPRIATE TERMS AND CONDITIONS THAT SHOULD BE APPLIED WHEN AT&T ISSUES ORDERS TO MOVE TARIFFED SERVICES PURCHASED FROM BELLSOUTH TO EITHER NETWORK ELEMENTS OR COMBINATIONS OF NETWORK ELEMENTS?

A. There are two remaining areas of disagreement pertaining to AT&T converting tariffed services to network elements. Since the FCC issued its Supplemental Order Clarification in CC Docket 96-98 on June 2, 2000 ("Supplemental Order Clarification"), most of the disagreement between the parties has been resolved and the parties have reached agreement on the process for submitting requests for conversions. Thus, the two remaining areas that this Commission needs to address are as follows:

1. The appropriate rate BellSouth should charge AT&T for converting services to UNEs, which will be addressed in the generic cost proceeding; and
2. The application of termination liability charges to services converted to either unbundled network elements or combination of unbundled network elements, which I will address below.

Q. WHY IS THERE AN ISSUE ON CONVERTING TARIFFED SERVICES TO NETWORK ELEMENTS?

A. In the past, AT&T purchased tariffed services from BellSouth to provide local service to customers in South Carolina. As a result of the Telecommunications Act of 1996 and several FCC orders implementing that Act, AT&T is able to convert these services to network elements, including combinations of network elements. The FCC issued an order outlining certain criteria AT&T would have to meet in order to obtain these conversions from Bellsouth[19]. The issue that BellSouth has raised is whether BellSouth should be allowed to charge AT&T any cancellation charges for converting these tariffed services to network elements.

[19] In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Third Report and Order, 4th FNOPR (UNE Remand"), CC Docket No. 96-98, FCC 99-238 (Rel. Nov. 5, 1999); In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Third Report and Order, 4th FNOPR (UNE Remand"), CC Docket No. 96-98, FCC 99-370 (Rel. Nov. 24, 1999); and In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, Third Report and Order, 4th FNOPR (UNE Remand"), Supplemental Order Clarification, CC No. 96-98, FCC 00-183 (Rel. June 2, 2000).

Q. WHAT CANCELLATION CHARGES ARE INVOLVED?

A. While the exact charges that may apply are dependent upon the specific service purchased by AT&T from BellSouth's tariffs, generally cancellation charges are assessed whenever tariffed services are purchased under some term or volume plan, and the purchaser decides to cancel the service before the end of the term of the plan. In such cases, the service is completely terminated and not replaced with another service.

Q. WHAT NETWORK ELEMENTS OR COMBINATIONS OF NETWORK ELEMENTS WOULD THE TARIFFED SERVICES BE CONVERTED TO?

A. Predominantly, AT&T is looking to convert special access services to either unbundled loops or loop/transport combinations (commonly known as Enhanced Extended Links or EELs) that begin at a customer's premise and terminate into AT&T collocation space in a BellSouth central office, where AT&T then terminates the trunk in one of its switches used to provide local service.

Q. WHAT IS AT&T PROPOSING?

A. AT&T is proposing that it should not be assessed any cancellation charges when requesting to convert services originally purchased from BellSouth's tariffs to network elements or combinations of network elements. AT&T originally purchased these tariffed services mainly because BellSouth was

unwilling to provide combinations of network elements in lieu of special access. Rather than wait for the issue to be fully resolved either through regulatory proceedings or litigation, AT&T used the only option it had available. AT&T and its customers should not be penalized for BellSouth's refusal to provide combinations of network elements. Furthermore, the FCC did not state or even imply that ILECs were free to impose a penalty upon CLECs for such conversions. What BellSouth seeks to do contravenes the clear intent of the FCC. It also discriminates against CLECs when a customer wants to change service. The termination liability charges can make it cost prohibitive for AT&T to serve the customer. Therefore, BellSouth can prevent AT&T and other CLECs from serving these customers. If this Commission approves BellSouth's proposal, then BellSouth ultimately ends up with what it wanted all along - CLECs would not be able to use network elements to serve customers who are currently served through special access service. The Commission should not allow CLECs to be penalized when converting the purchase of special access services to network elements.

Q. IS AT&T CANCELING SERVICE PURCHASED FROM BELLSOUTH?

A. No. AT&T is seeking to convert the existing tariffed services to network elements or combinations of network elements. The customers will still

receive the same service from AT&T and the service provided by BellSouth to AT&T will remain the same.

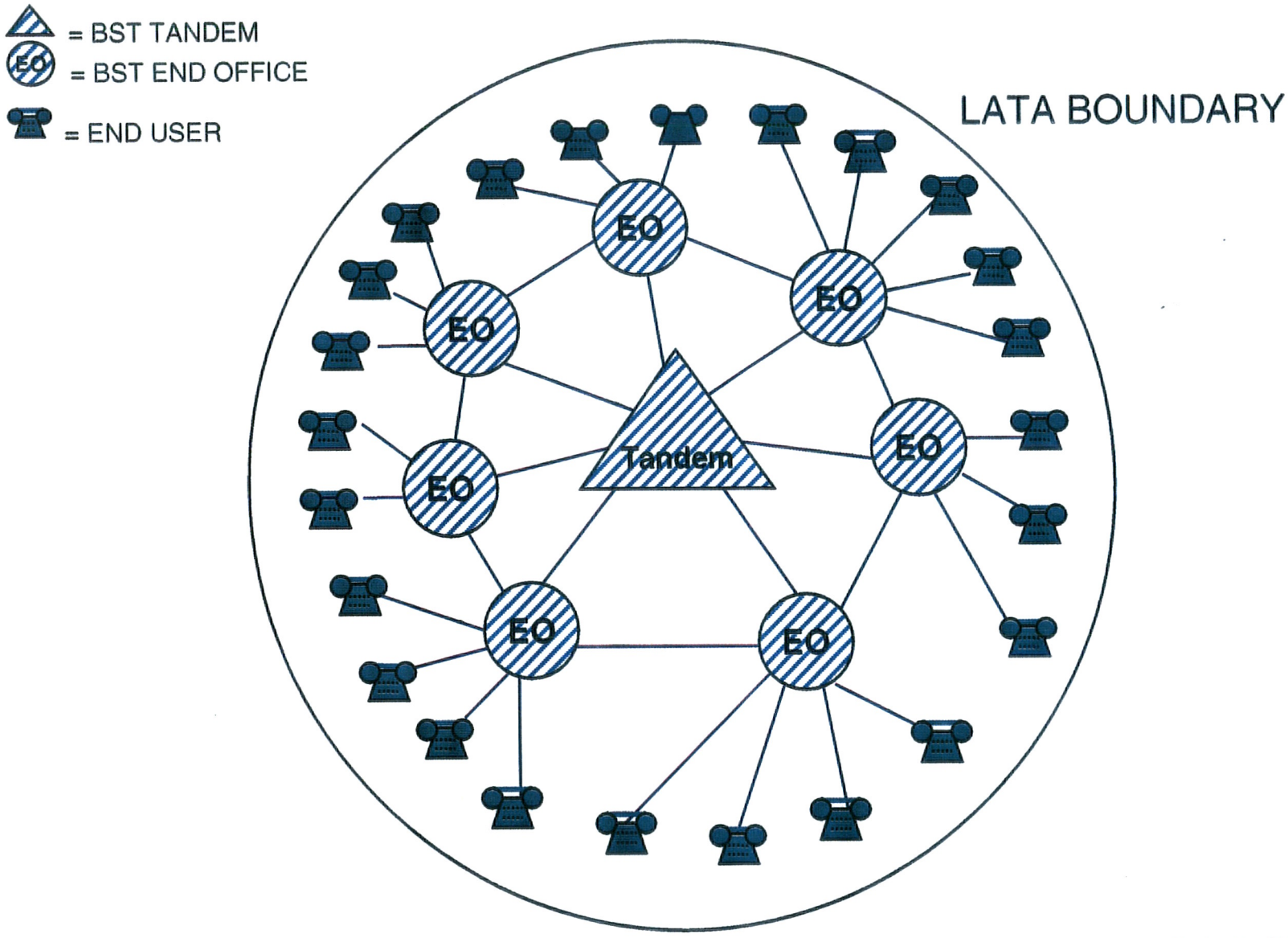
Q. WHAT IS AT&T ASKING THIS COMMISSION DO?

A. AT&T requests that this Commission order that no cancellation charges will be applied when AT&T requests to convert services purchased out of BellSouth's tariffs to network elements, including combinations of network elements.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes.

ATTACHMENT 1 - BST NETWORK ARCHITECTURE



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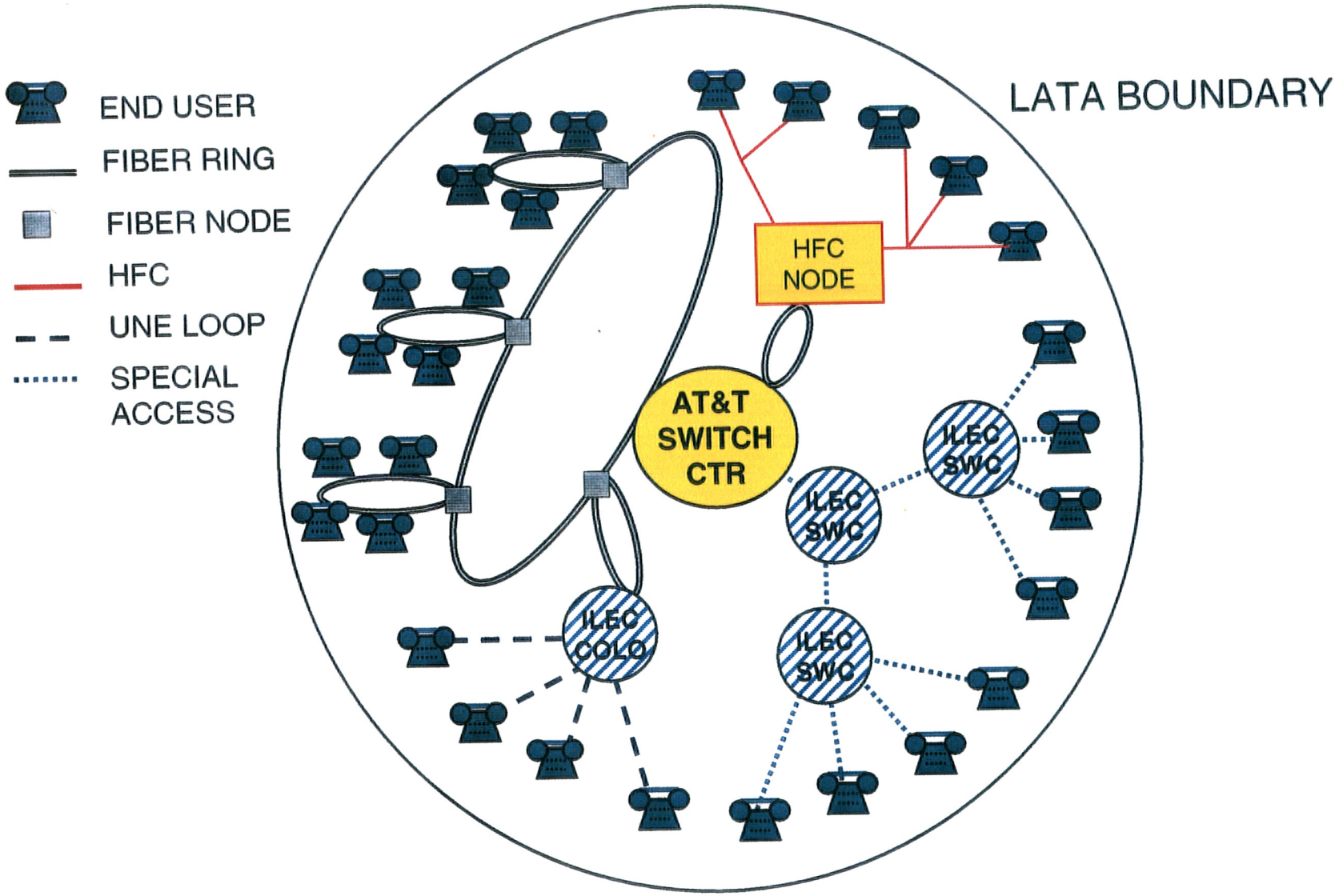
ATTACHMENT 2 - AT&T NETWORK ARCHITECTURE



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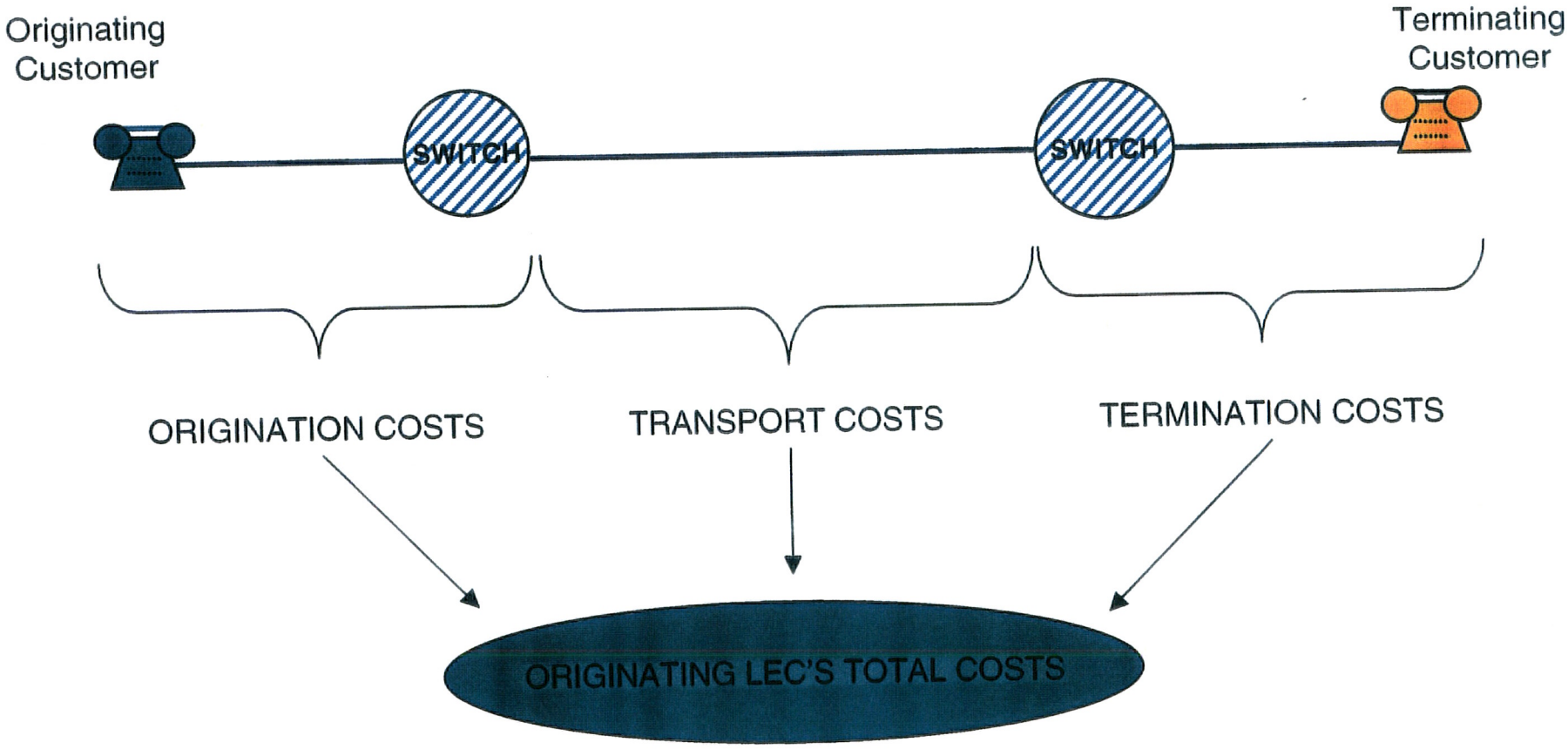
ATTACHMENT 3 - PRE-TRA COST MODEL



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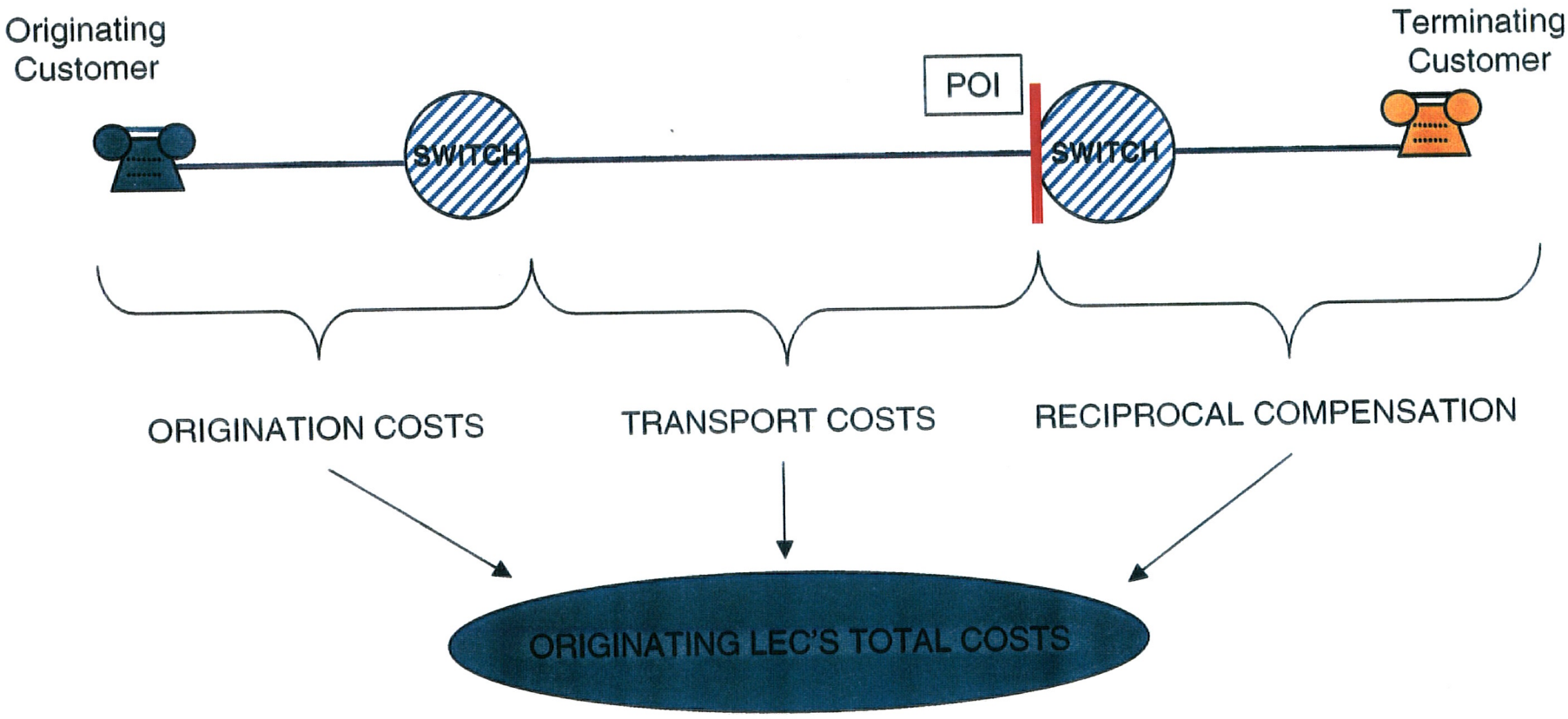
ATTACHMENT 4 - TRA COST MODEL AND AT&T PROPOSAL



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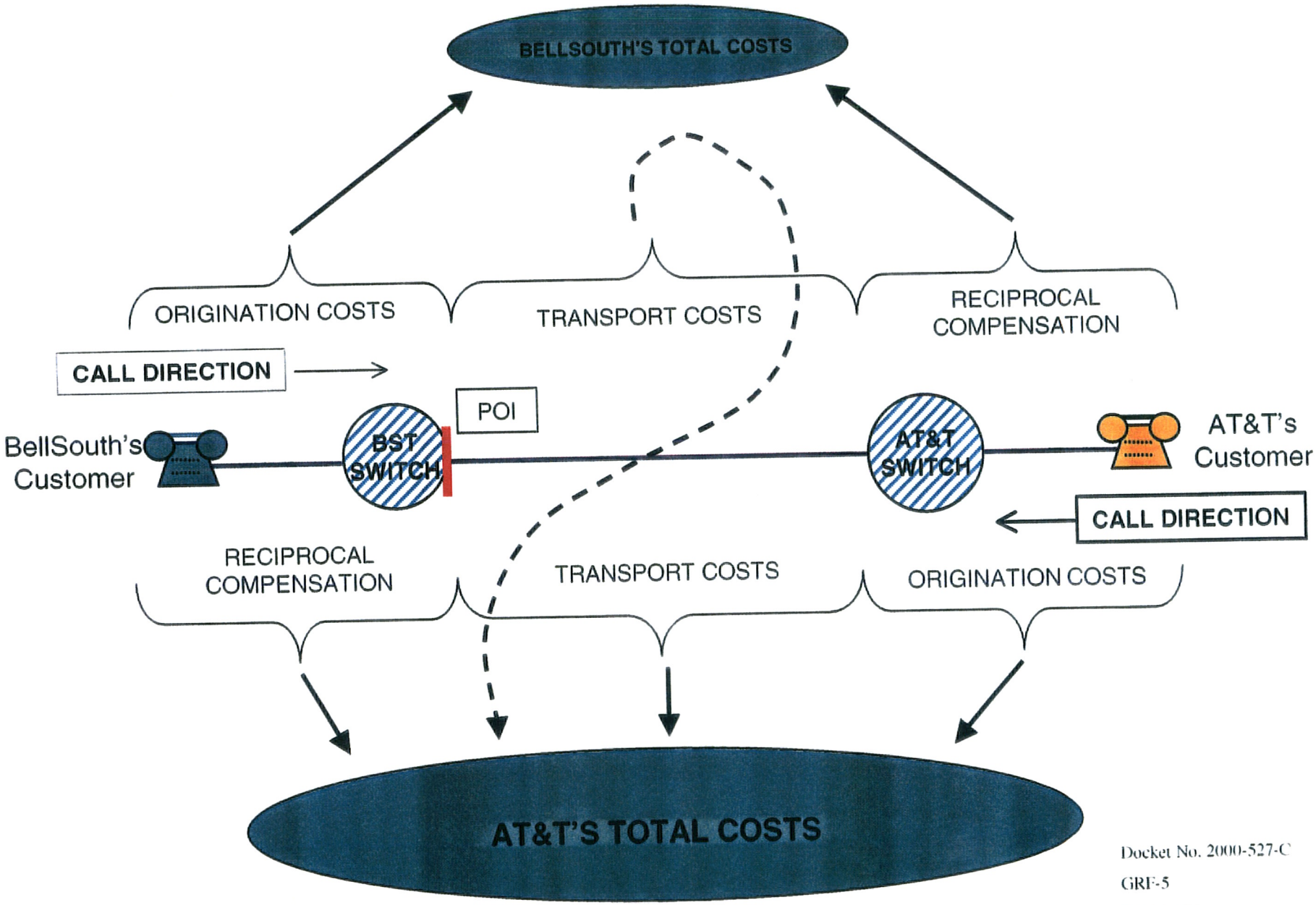
ATTACHMENT 5 - BELLSOUTH PROPOSAL



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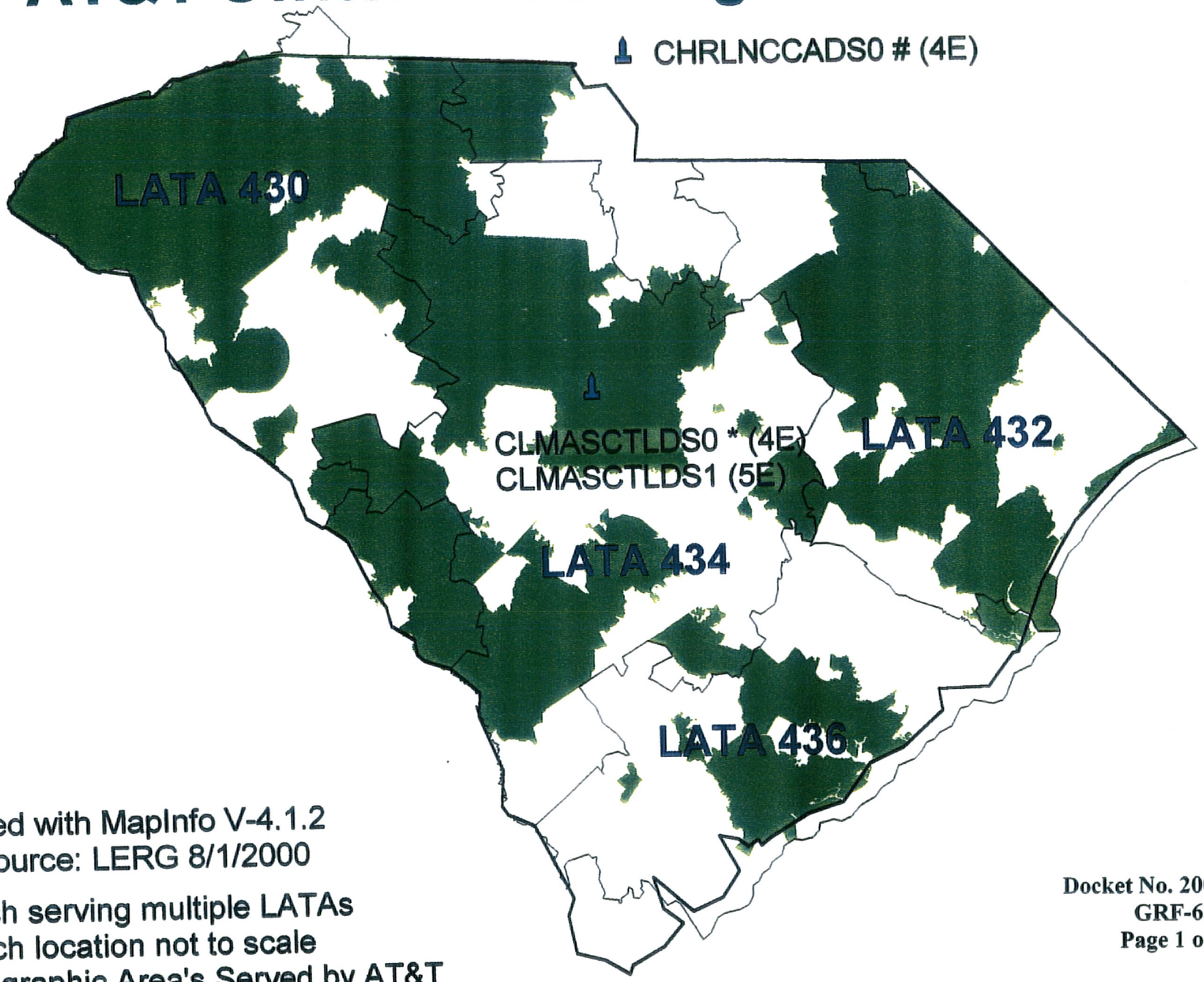
AT&T Switches Serving South Carolina



Prepared with MapInfo V-4.1.2
Data Source: LERG 8/1/2000

* Switch serving multiple LATAs
\# Switch location not to scale
Geographic Area's Served by AT&T

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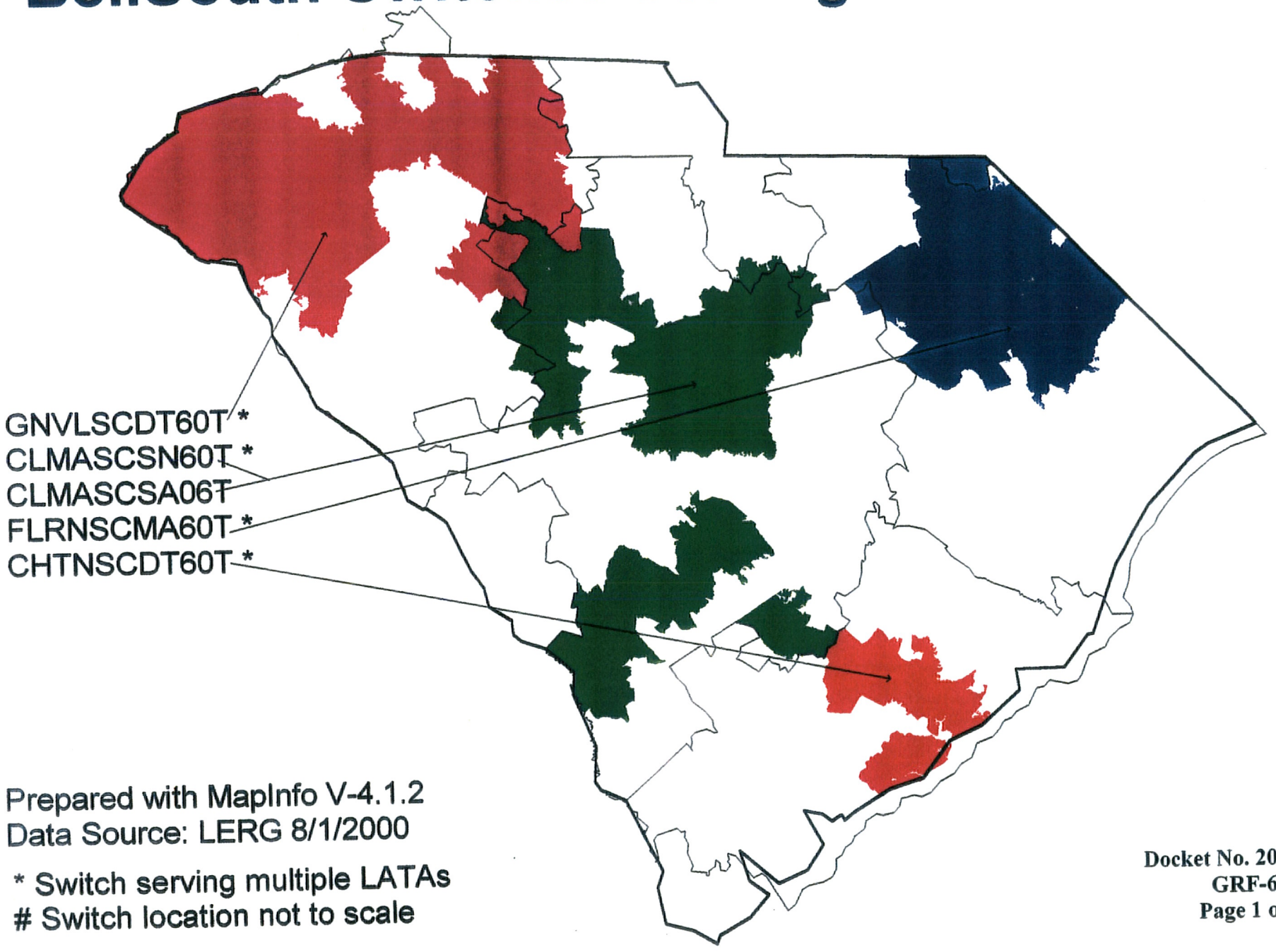
BellSouth Switches Serving South Carolina



Prepared with MapInfo V-4.1.2
Data Source: LERG 8/1/2000

* Switch serving multiple LATAs
\# Switch location not to scale

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